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September 21, 2023

Public Utility Commission of Texas
Interim Chairman Kathleen Jackson
Commissioner Will McAdams
Commissioner Lori Cobos
Commissioner Jimmy Glotfelty
1701 N. Congress Ave.
Austin, TX 78711

Re: PUC Project No. 53298, *Wholesale Electric Market Design Implementation*; and
PUC Project No. 52373, *Review of Wholesale Electric Market Design*

Dear Interim Chairman and Commissioners:

Consistent with prior Public Utility Commission of Texas (Commission) direction and Electric Reliability Council of Texas, Inc. (ERCOT) Protocols, ERCOT is reporting the results of the second procurement of the reliability product, Firm Fuel Supply Service (FFSS). This procurement awards FFSS Resources (FFSSRs) for the November 15, 2023 through March 15, 2024 obligation period. The Commission directed ERCOT to develop and procure this product as part of the Commission's Phase I Market Design efforts and in response to Texas Senate Bill 3. Additionally, in 2023, the Commission was integral in providing ERCOT with policy guidance regarding the implementation of the second phase of the FFSS program, expanding eligibility to provide FFSS to include a broader range of Generation Resources.

On July 31, 2023, ERCOT issued a Request for Proposals (RFP) to provide FFSS for the November 15, 2023 through March 15, 2024 obligation period. Proposals were due by September 1, 2023. ERCOT received proposals from 5 different Qualified Scheduling Entities (QSEs), offering 32 Generation Resources to act as FFSSRs during the obligation period. ERCOT confirmed that the offered Generation Resources qualified to provide FFSS and determined that all offered Generation Resources could be procured within the budget cap established by the Commission.

The following are the FFSS procurement results:

- All 32 Generation Resources were awarded at a clearing price of \$9,000/MW, the offer cap established by the Commission;
- 31 of the 32 Generation Resources offered fuel oil as the reserve fuel type;
- 1 Generation Resource offered natural gas storage;
- A total of 3,319.9 MW of FFSS capacity was procured; and
- The projected total cost of procurement is \$29,879,100.00.

For comparison, the results of the first FFSS procurement, for the November 15, 2022 through March 15, 2023 obligation period were:

- 19 Generation Resources were awarded at a clearing price of \$6.19/MW/hr (\$18,000/MW), the offer cap established by the Commission for that procurement;
- 18 of the 19 Generation Resources offered fuel oil as the reserve fuel type;
- 1 Generation Resource offered natural gas storage;
- A total of 2,940.5 MW of FFSS capacity was procured; and
- The projected total cost of procurement was \$52,857,722.28.

This second procurement resulted in approximately 13% *more* awarded capacity at an estimated cost of 43% *less* than the first procurement (prior to any reductions in FFSS Hourly Standby Fee reductions resulting from performance during the relevant obligation period).

Please note, all 32 Generation Resources that were offered and awarded in this second procurement met the Phase 1 qualifications to provide FFSS. No Generation Resources were offered under the Phase 2 qualifications.

ERCOT will present information regarding this procurement at the September 26, 2023 Technical Advisory Committee (TAC) meeting. Additionally, ERCOT thanks the Commission for its leadership regarding the evolution of this reliability product and stands ready to answer any questions.

Respectfully submitted,

/s/ Chad V. Seely

Chad V. Seely

Senior Vice President and General Counsel

Chad.Seely@ercot.com